

## BRIDGING THE GAP

The delay in the national and California economic recoveries is projected to result in a budget shortfall in the current year and budget year combined of \$34.6 billion. This funding gap is calculated by comparing the total revenues expected to be received by the State with the cost of providing current services pursuant to existing statute and reflecting changes in caseload, enrollment, and population.

For the second year in a row, the Governor proposed significant mid-year budget actions to help close the budget gap. The total savings of \$10.2 billion associated with the 2002-03 Mid-Year Spending Reduction Proposals are comprised of cuts/savings, State-local realignment, fund shifts, transfers/other revenues, and loans/borrowing.

To close the balance of the \$34.6 billion budget gap, the 2003-04 Governor's Budget proposes additional budget measures totaling \$24.4 billion. Figure 1 outlines the measures comprising the overall solution to closing the entire \$34.6 billion shortfall.



FIGURE-1

## Addressing the Overall \$34.6 billion Gap

(Dollars in millions)

	<u>December Revision</u>	<u>Additional Measures</u>	<u>Total</u>	<u>%</u>
Cuts/Savings	\$8,966.4*	\$11,761.9	\$20,728.3	59.9%
State-Local Realignments	191.6*	7,962.4	8,154.0	23.6%
Fund Shifts	815.6	1,087.1	1,902.7	5.5%
Transfers/Other Revenue	199.7*	1,914.6	2,114.3	6.1%
Loans/Borrowing	25.4	1,657.9	1,683.3	4.9%
Totals	\$10,198.7	\$24,383.9	\$34,582.6	100.0%

\*\$500 million property tax from Redevelopment Agencies was classified as "Other Revenue" in the Mid-Year Spending Reduction Proposals plan. It is now used to offset Proposition 98 expenditures (as cuts/savings).

\*\*\$191.6 million of Proposition 98 CalWORKs Stage 3 elimination was classified as "Cuts/Savings" in the Mid-Year Spending Reduction Proposals plan. This amount is currently part of the State-local realignment package.

